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SUBJ: BASE NEGOTIATIONS: POSSIBILITIES FOR U.S.

ROLE IN MODERNIZATION SPANISH MILITARY

INDUSTRIES

1. IT HAS NOT YET BEEN POSSIBLE TO GET FROM SPANISH ANY SPECIFICS ABOUT WHAT THEY ARE LIKELY TO REQUEST FOR A MILITARY QUID IN THE CURRENT NEGOTIATIONS. THE MOST THEY HAVE DISCLOSED IN THIS REGARD IS A GREAT NEED FOR MODERNIZATION OF THEIR FORCES AND DESIRE FOR U.S. PARTICIPATION: MAINLY IN THE FORM OF CREDITS . IN THE FIFTH ROUND OF NEGOTIATIONS THEY ALSO EXPRESSED AN INTEREST IN OBTAINING GRANTS AS WELL AS U.S. CONTRIBUTION TO ASSITS DEFENSE ORIENTED RESEARCH AND INDUSTRY IN SPAIN. WHILE SPANISH HAVE NEVER MENTIONED SPECIFIC FIGURES OR TYPES OF EQUIPMENT, THE MISSION PROVIDED DEPARTMENT AND AMB MCCLOSKEY A PAPER IN OCTOBER WHICH SPECULATED ON A POSSIBLE SPANISH SHOPPING LIST.

2. SPANISH HAVE STATED REPEATEDLY THAT IT WAS ESSENTIAL THAT NEW AGREEMENT PROVIDE HISHLY VISIBLE AND TANGIBLE BENEFITS TO THEIR PEOPLE. PUBLIC OPINION MIGHT SEE BENEFIT IN PURCHASE OF U.S. TECHNOLOGY, PARTICULARLY IF THAT

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TECHNOLOGY WERE DIRECTED AT DEVELOPING WITHIN SPAIN

THE INDUSTRIAL CAPABILITY TO SUPPORT A MILITARY MODERNIZATION PROGRAM.

3. SUCH A TECHNOLOGY TRANSFER PROGRAM COULD BE MUTUALLY BENEFICIAL. SPAIN NEEDS U.S. TECHNOLOGY AND HAS REACHED A LEVEL OF BASIC INDUSTRIAL CAPABILITY WHICH SHOULD PERMIT FRUITFUL ABSORPTION OF HIGHER TECHNOLOGY. SPAIN'S ECONOMY NEEDS A SHOT IN THE ARM. THIS BOOST TO THE SPANISH ECONOMY NEED NOT NECESSARILY BE AT THE EXPENSE OF THE U.S. ECONOMY. MUCH OF THE TECHNOLOGY WOULD HAVE TO BE PAID FOR. MANY OF THE COMPANIES IN SPAIN WHICH ARE CAPABLE OF TAKING ON GREATER MILITARY WORK ARE AFFILIATES OF U.S. FIRMS AND OTHER U.S. FIRMS HAVE INDICATED AN INTEREST IN ESTABLISHING AFFILIATES IN SPAIN. MUCH OF THE MILITARY EQUIPMENT NEEDED BY THE SPANISH IS SUITABLE FOR COPRODUCTION ARRANGEMENTS.

4. SEVERAL PROGRAMS WHICH MIGHT BE CONSIDERED FOR FURTHER EXPLORATION AND ASSESSMENT AT THE WASHINGTON LEVEL ARE AS FOLLOWS:

A. SPANISH TANK RETROFIT PROGRAM. SPANISH HAVE INITIATED A TANK RETROFIT PROGRAM WITH CHRYSLER ESPANA FOR 110 M47 TANKS AND MAY LATER EXPAND THE CONTRACT TO INCLUDE M48 TANKS. RETROFIT KITS WILL BE PROVIDED BY U.S. INDUSTRY. BECAUSE OF THE SIMULTANEOUS VERY LARGE U.S. RETROFIT PROGRAM, THERE ARE INDICATIONS THAT REQUIREMENT FOR KITS MAY EXCEED PRESENT U.S. INDUSTRIAL CAPACITY FOR SOME TIME. THE POSSIBILITY THAT SOME PORTION OF THE KIT MIGHT BE PRODUCED IN SPAIN SHOULD BE INVESTIGATED.

B. RETROFIT OF FRG M48 TANKS IN SPAIN. THIS PROGRAM, SUGGESTED TO FRG BY SECDEF IN MAY 1974, ENTAILS THE RETROFITTING OF APPROX 800 FRG TANKS IN SPAIN. RESPONSE TO A 6 FEB 75 SECDEF QUERY TO MAAG, BONNN, CONCERNING FRG PLANS ON THIS PROJECT IS NOT KNOWN HERE. POSSIBILITY OF REWORKING IN SPAIN OTHER U.S. BUILT TANKS LOCATED IN EUROPEAN THEATRE SHOULD BE EXPLORED.

C. AMMUNITION PRODUCTION. IN 1954-55 THE U.S. GOVT PROVIDED SPAIN EQUIPMENT AND ASSISTANCE FOR EXPANSION OF PROPELLANT AND EXPLOSIVE FACILITIES UNDER A FACILITIES CONFIDENTIAL

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ASSISTANCE PROGRAM (FAP) FOR THE SPANISH ARMY. THIS CONSISTED OF SEVEN AMMUNITION PLANTS. SIX ARE CAPABLE OF PRODUCING PROPELLANTS AND EXPLOSIVES AND ONE IS AN ARTILLERY LOADING PLANT. (COSTS INVOLVED WERE 10.24 MILLION USG AND 23 MILLION (EST) GOS.) FACILITIES ARE LITTLE USED BECAUSE THEY ARE GEARED TO LARGE QUANTITY PRODUCTION. U.S. COULD INVESTIGATE POSSIBILITY OF PUTTING THIS IDLE CAPACITY TO WORK.

D. HELICOPTER TURBINE REBUILD/OVERHAUL. SPANISH

ARMY'S HELICOPTER FLEET HAS BEEN EXPANDING AND MODERNIZING FASTER THAN ANY OTHER SINGLE ELEMENT OF SPANISH ARMY. SPAIN HAS SHOWN AN INTEREST IN DEVELOPING AN INDUSTRIAL MAINTENANCE (OVERHAUL) CAPABILITY IN THIS AREA. DEVELOPMENT OF THIS TYPE FACILITY MIGHT NOT BE WORTHWHILE IF IT WERE ONLY TO SUPPORT THE DENSITY OF HELICOPTERS WITHIN THE SPANISH ARMY AND SMALL NUMBER HELD BY SPANISH NAVY AND AIR FORCE. PROJECT COULD BE INTERESTING FOR SPAIN IF OTHER EUROPEAN COUNTRIES AND/OR U.S. WERE TO UTILIZE SUCH A SERVICE IN SPAIN, HOWEVER.

E. SEA CONTROL SHIP. IN DEVELOPING THIS PROGRAM THE U.S. MIGHT AGREE TO PROVIDE TECHNICAL EXPERTISE AND EXISTING DESIGN PACKAGE AS WELL AS ASSIST IN PROCUREMENT OF LONG LEAD ITEMS OF EQUIPMENT. IT COULD ALSO AUTHORIZE GOS TO MAKE THIRD COUNTRY SALES TO SELECTED CUSTOMERS SUCH AS IRAN WHERE THERE IS INTEREST FOR TWO OF THESE SHIPS. U.S. INDUSTRY WOULD REAP ABOUT \$100 MILLION IN EQUIPMENT SALES OF THE ESTIMATED \$150 MILLION COST OF EACH SHIP. GOS WOULD BENEFIT IN SELLING IN AN INT'L MARKET AND WOULD CREATE AN ESTIMATED LABOR MARKET OF 800 JOBS FOR THREE YEARS PER SHIP.

F. PATROL FRIGATE. USN HAS ALREADY APPROVED THE CONSTRUCTION OF SEVERAL PF'S IN SPAIN AND WOULD CONTINUE TO PROVIDE PROGRAM MANAGEMENT CONSULTATION SERVICES TO THE SPANISH NAVY. POSSIBILITY OF THIRD-COUNTRY SALES MIGHT BE CONSIDERED.

G. HARPOON WEAPONS SYSTEM. THIS SHIP-TO-SHIP MISSILE SY WEM WILL BE THEOARSEC SYSTEM ON THE PF. IT COULD ALSO VVJOBECOM BASI C SYSTEM TO SATISFY MANY OF THE MISSILE REQUIREMENTS OF SPANISH ARMED FORCES, IF INSTALLED, FOR EXAMPLE, ON OTHER NAVY SHIPS, THE P-3, ARMY COASTAL DEFENSE, AND POSSIBLY ON SN HELICOPTERS AND HARRIER AIRCRAFT. CONFIDENTIAL

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A HARPOON TESTING AND CALIBRATING FACILITY CAPABLE OF HANDLING ALL U.S. AND INT'L REQUIREMENTS IN MEDITERRANEAN AREA MIGHT BE FEASIBLE.

H. DEPOT OVERHAUL. PROJECT PEACE PACK DEALS WITH FULL DEPOT OVERHAUL CAPABILITY FOR F-4 AIRCRAFT AND EMBARCES AIRFRAME (CASA), ENGINE (ENMASA) AND AVIONICS (ECSA). AT PRESENT, PHASE II OF THIS PROJECT IDENTIFIES MAJOR REPARABLE ITEMS AND NECESSARY EQUIPMENT AND SPARES TO MAKE REPAIRS. ADDITIONALLY, THIS PHASE FURNISHES TECHNICAL PUBLICATIONS. PHASE IIIN, ACQUISITION OF MATERIAL, AND PHASE IV, TRAINING, WILL COMPLETE THIS PROGRAM. PHILCO-FORD IS PRESENTLY DEVELOPING FOR SPANISH AF AN AIM-9J MISSILE DEPOT OVERHAUL FACILITY AT TORREJON AB. SIMILAR AIRCARFT AND MISSILE DEPOT OVERHAUL FACILITIES COULD BE DEVELOPED ALONG THESE LINES FOR THE

F-5 AIRCRAFT AND THE AIM-7 MISSILE. DEVELOPMENT OF THESE PROGRAMS COULD SIGNIFICANTLY INCREASE SPANISH AIRCRAFT AND ARMAMENT INDUSTRIAL CAPABILITY AS WELL AS INCREASE THE MARKET POTENTIAL THROUGHOUT THEMED AREA.

I. F-16 LIGHTWEIGHT FIGHTER. ALTHOUGH THE SPANISH AIR FORCE HAS NOT INDICATED A SPECIFIC INTEREST IN THE NEW F-16 LIGHTWEIGHT FIGHTER, IT HAS CLAEALY INDICATED A DESIRE TO MODERNIZE AND EXPAND ITS PRESENT AIR COMBAT CAPABILITY. AN OFFER TO ESTABLISH A CORPRODUCTION PROGRAM IN SPAIN SIMILAR TO THAT OFFERED THE NATO CONSORTIUM WOULD BE HIGHLY ATTRACTIVE TO SPAIN.

J. ELECTRONICS INDUSTRY. THERE IS AN INCREASING SPANISH MILITARY REQUIREMENT FOR RADIOS, TELECOMMUNICATIONS AND COMPUTERIZATION. THERE WOULD APPEAR TO BE HIGH POTENTIAL FOR MUTUALLY ADVANTAGEOUS COPRODUCTION ARRANGEMENTS IN THIS AREA.

5. BECAUSE SPAIN IS A RELATIVELY SMALL MARKET AND NATIONAL RESOURCES ARE LIMITED, SPANISH ARMS RESEARCH AND DEVELOPMENT IS VIRTUALLY NON-EXISTENT. ACQUISITION IS BASED ON WHAT IS AVAILABLE ON THE MARKET W AND IN THE NEAR FUTURE. THIS RESULTS IN THE PICEMEAL ACQUISITION OF ARMS WHICH OFTEN ARE OBSOLESCE A FEW YEARS LATER. SPAIN DOES NOT HAVE AN ASSOCIATION WITH THE U.S. AS IN NATO WHERE JOINT COMMITTEES FROM SEVERAL NATIONS STUDY
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THE THREAT TO DETERMINE OPTIMUM COUNTER MEASURES IN TERMS OF ORGANIZATIONS AND ARMAMENTS. SINCE THE SPANISH HAVE INDICATED THAT THE PROPOSED U.S. SPANISH COMBINED PLANNING STAFF DOES NOT GO FAR ENOUGH, IT MIGHT BE USEFUL TO EXPAND THE FUNCTIONS OF THE STAFF TO INCLUDE THE AD HOC PROVISION OF U.S. EXPERTISE IN SPECIFIED AREAS (E.G. PROJECT MANAGERS IN AIR DEFENSE WEAPONS, GROUND COMMUNICATIONS SYSTEMS, ETC.) NOT ONLY TO DEVELOP REQUIREMENTS BUT ALSO, LIKE THE NATO COUNTRIES, TO WRK OUT PRODUCTION POSSIBILITIES IN SOH CASES.
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